

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 13, 2009  
**POSITION:** Neutral, note concerns

**BILL NUMBER:** SB 7  
**AUTHOR:** P. Wiggins

### **BILL SUMMARY: Renewable Energy Sources: Net Metering**

Existing law specifies that electrical distribution utilities or cooperatives are not required to compensate customers who generate surplus energy to the power grid. This bill would require an electrical distribution utility or cooperative to authorize eligible energy generation customers to apply for and receive kilowatt-hour credits on net surplus electricity generated within a 12 month eligibility period. These kilowatt-hour credits could then be used to offset the facility's energy costs during the 24 months following the 12 month period.

### **FISCAL SUMMARY**

According to the Public Utilities Commission (PUC), its costs would be minor and absorbable. The bill would require the PUC to review and approve submissions from covered utilities that would amend their net energy metering (NEM) tariffs in accordance with the bill's provisions to carry an annual net bill credit, as defined, forward for one or both of the next two twelve-month periods. The cost to the PUC to work with the contractor already in place on the required California Solar Initiative report to additionally include information on the costs and benefits of NEM also would be minor and absorbable. According to the Energy Resources Conservation and Development Commission (Energy Commission) there is no fiscal impact to the state.

### **SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the May 5, 2009 version do not alter our position. The bill has been amended to delete an existing report; previously the bill only extended the report deadline from January 1, 2010 to June 30, 2010. That report would have included and evaluation of the impacts of various types of net energy metering as well as an assessment of the impacts of excess energy and credit generation. Instead, the bill now would require such information be included as part of the 2010 annual assessment report on the California Solar Initiative, due June 30, 2010.

### **COMMENTS**

Finance is neutral on this bill, but notes concern that it would require utilities to compensate eligible wind and solar customers at a rate beyond the cost of generating the excess electricity, thus potentially requiring other utility customers to provide a subsidy to solar and wind excess electricity providers.

Under net metering, the electric utility is required to "buy back" excess electricity generated by a customer-owned generator as measured by a specified electric meter. Electricity unneeded by the customer passes through the meter to the electricity grid. At year-end, the utility calculates the customer-generated electricity distributed to the grid and reduces the customer's annual bill by the amount of customer-generated electricity. Thus, the utility "buys" the customer's excess power and pays for it in the form of a bill credit. For solar and wind power, the credit is at the customer's retail cost (a cost that is much higher than the generation costs since it includes add-on costs of transmission, distribution, public good charges, and the utility's rate of return). If the customer-generator is being paid the retail price, the add-on costs are shifted to the utilities' other ratepayers.

Analyst/Principal (0623) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL NUMBER**

SB 7

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP							Fund
Type		RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
3360/Energy Comm		SO	No	-----	No/Minor	Fiscal Impact	-----			0465
8660/PUC		SO	No	-----	No/Minor	Fiscal Impact	-----			0462
<u>Fund Code</u>	<u>Title</u>									
0462	Publ Utilities Comm Utilities Reimb Acct									
0465	Energy Resources Programs Account									